

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT  
OF

WATER AND WASTEWATER UTILITIES  
CITY OF ANGOLA  
STEBEN COUNTY, INDIANA

January 1, 2012 to December 31, 2012



**FILED**  
09/11/2013



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Debra A. Twitchell	01-01-12 to 12-31-15
Mayor	Richard M. Hickman	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Richard M. Hickman	01-01-12 to 12-31-13
President of the Common Council	Richard M. Hickman	01-01-12 to 12-31-13
Superintendent of Water Utility	Daniel D. Olis Tom Selman	01-01-12 to 05-17-13 05-18-13 to 12-31-13
Superintendent of Wastewater Utility	Craig Williams	01-01-12 to 12-31-13



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE WATER AND WASTEWATER UTILITIES,  
CITY OF ANGOLA, STEUBEN COUNTY, INDIANA

We have examined the accompanying financial statements of the business-type activities of the Water and Wastewater Utilities (Utilities), major enterprise funds and departments of the City of Angola, as of and for the year ended December 31, 2012. The Utilities' management is responsible for the financial statements presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statements presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note I, the financial statements of the Water and Wastewater Utilities, City of Angola, are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the City that are attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the City of Angola as of December 31, 2012, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities for the Water and Wastewater Utilities, as of December 31, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Water and Wastewater Utilities have not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Bruce Hartman  
State Examiner

July 22, 2013

WATER AND WASTEWATER UTILITIES  
CITY OF ANGOLA  
STATEMENT OF NET POSITION  
December 31, 2012

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Current assets:		
Cash and cash equivalents	\$ 169,098	\$ 373,237
Accounts receivable (net of allowance)	4,819	9,460
Accounts receivable - other	1,486	1,491
Inventories	<u>62,006</u>	<u>23,795</u>
Total current assets	<u>237,409</u>	<u>407,983</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Depreciation cash and investments	800,652	210,935
Bond and interest cash and investments	600,869	717,981
Construction cash and investments	341,055	983,235
Customer deposits	<u>48,780</u>	<u>-</u>
Total restricted assets	<u>1,791,356</u>	<u>1,912,151</u>
Deferred charges	<u>147,386</u>	<u>169,646</u>
Capital assets:		
Land, improvements to land and construction in progress	92,848	117,794
Other capital assets (net of accumulated depreciation)	<u>8,983,972</u>	<u>16,906,840</u>
Total capital assets	<u>9,076,820</u>	<u>17,024,634</u>
Total noncurrent assets	<u>11,015,562</u>	<u>19,106,431</u>
Total assets	<u>11,252,971</u>	<u>19,514,414</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	87,857	11,401
Accrued wages payable	13,537	17,216
Taxes payable	6,759	-
Compensated absences	15,290	16,146
Current liabilities payable from restricted assets:		
Customer deposits	48,780	-
Revenue bonds payable	295,000	180,000
Loans payable	-	87,500
Accrued interest payable	<u>49,387</u>	<u>-</u>
Total current liabilities	<u>516,610</u>	<u>312,263</u>
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	3,621,089	3,484,255
Loans payable	-	2,887,500
2009 forgivable taxable BANs, Series A	-	1,555,000
Compensated absences	<u>6,359</u>	<u>3,997</u>
Total noncurrent liabilities	<u>3,627,448</u>	<u>7,930,752</u>
Total liabilities	<u>4,144,058</u>	<u>8,243,015</u>
<u>Net Position</u>		
Net investment in capital assets	5,160,731	8,830,379
Restricted for debt service	600,869	717,981
Restricted for construction and improvements	1,141,707	1,194,170
Unrestricted	<u>205,606</u>	<u>528,869</u>
Total net position	<u>\$ 7,108,913</u>	<u>\$ 11,271,399</u>

The notes to the financial statements are an integral part of this statement.

WATER AND WASTEWATER UTILITIES  
CITY OF ANGOLA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
As Of And For The Year Ended December 31, 2012

	Water Utility	Wastewater Utility
Operating revenues:		
Metered water revenue	\$ 1,251,363	\$ -
Measured revenue:		
Wastewater	-	1,991,084
Stormwater	-	167,623
Fire protection revenue	366,651	-
Penalties	6,504	27,976
Other	188,166	163,963
Total operating revenues	1,812,684	2,350,646
Operating expenses:		
Source of supply and expense - operations and maintenance	126,780	-
Water treatment expense - operations and maintenance	296,386	-
Transmission and distribution	375,857	-
Collection system - operations and maintenance	-	331,439
Pumping - operations and maintenance	-	145,969
Treatment and disposal - operations and maintenance	-	502,183
Customer accounts	82,774	80,520
Administration and general	357,281	352,097
Depreciation	289,115	869,763
Contractual services	-	1,457,021
Total operating expenses	1,528,193	3,738,992
Operating income (loss)	284,491	(1,388,346)
Nonoperating expenses:		
Interest expense	(131,141)	(153,017)
Amortization of bond issue costs	(12,524)	(13,489)
Total nonoperating expenses	(143,665)	(166,506)
Change in net position	140,826	(1,554,852)
Total net position - beginning	6,968,087	12,826,251
Total net position - ending	\$ 7,108,913	\$ 11,271,399

The notes to the financial statements are an integral part of this statement.

WATER AND WASTEWATER UTILITIES  
CITY OF ANGOLA  
STATEMENT OF CASH FLOWS  
As Of And For The Year Ended December 31, 2012

	Water Utility	Wastewater Utility
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,819,697	\$ 2,351,160
Payments to suppliers and contractors	(670,111)	(2,275,402)
Payments to employees	<u>(537,044)</u>	<u>(610,394)</u>
Net cash provided (used) by operating activities	<u>612,542</u>	<u>(534,636)</u>
Cash flows from noncapital financing activities:		
Proceeds from defeasance of debt	2,075,000	-
Bond issue costs	<u>(90,279)</u>	<u>-</u>
Net cash used by non capital financing activities	<u>1,984,721</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Proceeds from capital debt	-	120,913
Acquisition and construction of capital assets	(3,188)	(369,793)
Principal paid on capital debt	(1,935,000)	(520,000)
Interest paid on capital debt	<u>(149,395)</u>	<u>(134,313)</u>
Net cash used by capital and related financing activities	<u>(2,087,583)</u>	<u>(903,193)</u>
Cash flows from investing activities:		
Interest received	<u>590</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	2,494,991	(1,437,829)
Cash and cash equivalents, January 1	<u>1,450,184</u>	<u>3,723,217</u>
Cash and cash equivalents, December 31	<u>\$ 3,945,175</u>	<u>\$ 2,285,388</u>
Unrestricted cash and cash equivalents	169,098	373,237
Restricted cash and cash equivalents	<u>1,791,356</u>	<u>1,912,151</u>
Cash and cash equivalents, December 31	<u>\$ 1,960,454</u>	<u>\$ 2,285,388</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$ 284,491</u>	<u>\$ (1,388,346)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	289,115	869,763
(Increase) decrease in assets:		
Accounts receivable	7,013	514
Inventories	6,808	3,182
Prepaid items	2,658	2,658
Increase (decrease) in liabilities:		
Accounts payable	24,378	(19,220)
Accrued wages payable	(2,221)	(2,656)
Taxes payable	920	-
Compensated absence payable	(2,910)	(531)
Customer deposits	<u>2,290</u>	<u>-</u>
Total adjustments	<u>328,051</u>	<u>853,710</u>
Net cash provided (used) by operating activities	<u>\$ 612,542</u>	<u>\$ (534,636)</u>

The notes to the financial statements are an integral part of this statement.

WATER AND WASTEWATER UTILITIES  
CITY OF ANGOLA  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the Utilities and are not intended to present fairly the position of the City of Angola (City), and the results of its operations and cash flows of its enterprise funds. The Utilities, whose operations are controlled by the City, represents a substantial portion of the City's enterprise funds.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

When both restricted and unrestricted resources are available for use, the Utilities' policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments

The Utilities' cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes the Utilities to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method.

WATER AND WASTEWATER UTILITIES  
CITY OF ANGOLA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position because they are maintained in separate funds and/or bank accounts and their use is limited by applicable bond covenants.

The financial statements report Water Utility restricted net position of \$1,742,576 of which \$1,742,576 is restricted by enabling legislation; and Wastewater Utility restricted net position of \$1,912,151, of which \$1,912,151 is restricted by enabling legislation.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 5,000	Straight-line	10 to 100 yrs.
Infrastructure	5,000	Straight-line	10 to 100 yrs.
Improvements other than buildings	5,000	Straight-line	10 to 100 yrs.
Machinery and equipment	5,000	Straight-line	5 to 50 yrs.

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Water Utility and Wastewater Utility during the current year was \$131,141 and \$153,017, respectively. Of these amounts, nothing was included as part of the cost of capital assets under construction.

5. Compensated Absences

- a. Sick Leave – Utility employees earn sick leave at the rate of 1 day per month. Unused sick leave may be accumulated to a maximum of 90 days. Accumulated sick leave is paid to employees upon termination.

WATER AND WASTEWATER UTILITIES  
CITY OF ANGOLA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

- b. Vacation Leave – Utility employees earn vacation leave at rates from 5 days to 25 days per year based upon the number of years of service. Vacation leave may not be accumulated beyond the employee's anniversary date. Accumulated vacation leave is paid to employees through cash payments upon termination.
- c. Personal Leave – Utility employees earn personal leave at the rate of 2 days per year. Personal leave does not accumulate from year to year.

Vacation and sick leave is accrued when incurred.

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

II. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Utilities do not have a deposit policy for custodial credit risk. At December 31, 2012, the deposit balances were \$1,960,454 and \$2,285,388 for the Water and Wastewater Utilities, respectively.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 56,533	\$ -	\$ -	\$ 56,533
Construction in progress	<u>3,104</u>	<u>36,315</u>	<u>3,104</u>	<u>36,315</u>
Total capital assets, not being depreciated	<u>59,637</u>	<u>36,315</u>	<u>3,104</u>	<u>92,848</u>

WATER AND WASTEWATER UTILITIES  
CITY OF ANGOLA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Utility (continued):				
Capital assets, being depreciated:				
Buildings	3,586,894	-	-	3,586,894
Infrastructure	6,675,435	-	-	6,675,435
Improvements other than buildings	7,390	-	-	7,390
Machinery and equipment	<u>2,081,402</u>	<u>5,418</u>	-	<u>2,086,820</u>
Totals	<u>12,351,121</u>	<u>5,418</u>	-	<u>12,356,539</u>
Less accumulated depreciation for:				
Buildings	(704,960)	(93,532)	-	(798,492)
Infrastructure	(1,706,238)	(135,830)	-	(1,842,068)
Improvements other than buildings	(3,695)	(370)	-	(4,065)
Machinery and equipment	<u>(668,559)</u>	<u>(59,383)</u>	-	<u>(727,942)</u>
Totals	<u>(3,083,452)</u>	<u>(289,115)</u>	-	<u>(3,372,567)</u>
Total capital assets, being depreciated, net	<u>9,267,669</u>	<u>(283,697)</u>	-	<u>8,983,972</u>
Total Water Utility capital assets, net	<u>\$ 9,327,306</u>	<u>\$ (247,382)</u>	<u>\$ 3,104</u>	<u>\$ 9,076,820</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 26,625	\$ -	\$ -	\$ 26,625
Construction in progress	<u>125,155</u>	<u>123,267</u>	<u>157,253</u>	<u>91,169</u>
Total capital assets, not being depreciated	<u>151,780</u>	<u>123,267</u>	<u>157,253</u>	<u>117,794</u>
Capital assets, being depreciated:				
Buildings	7,595,483	5,791	-	7,601,274
Infrastructure	18,511,810	213,609	-	18,725,419
Improvements other than buildings	85,931	-	-	85,931
Machinery and equipment	<u>1,980,564</u>	<u>174,964</u>	<u>18,557</u>	<u>2,136,971</u>
Totals	<u>28,173,788</u>	<u>394,364</u>	<u>18,557</u>	<u>28,549,595</u>
Less accumulated depreciation for:				
Buildings	(2,098,820)	(172,821)	-	(2,271,641)
Infrastructure	(7,609,418)	(563,064)	-	(8,172,482)
Improvements other than buildings	(23,022)	(4,297)	-	(27,319)
Machinery and equipment	<u>(1,069,704)</u>	<u>(129,581)</u>	<u>(27,972)</u>	<u>(1,171,313)</u>
Totals	<u>(10,800,964)</u>	<u>(869,763)</u>	<u>(27,972)</u>	<u>(11,642,755)</u>
Total capital assets, being depreciated, net	<u>17,372,824</u>	<u>(475,399)</u>	<u>(9,415)</u>	<u>16,906,840</u>
Total Wastewater Utility capital assets, net	<u>\$ 17,524,604</u>	<u>\$ (352,132)</u>	<u>\$ 147,838</u>	<u>\$ 17,024,634</u>

WATER AND WASTEWATER UTILITIES  
CITY OF ANGOLA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Depreciation expense was charged to functions/programs of the Utilities as follows:

	2012
Water	\$ 289,115
Wastewater	869,763
Total depreciation expense	\$ 1,158,878

C. Construction Commitments

Construction work in progress is composed of the following:

Project	2012	
	Expended to December 31,	Committed
Water Utility:		
Software	\$ 36,315	\$ 36,315
Wastewater Utility:		
Software	\$ 27,796	\$ 27,796
NE Quad Rain Garden	20,828	20,828
SE Public Square Stormwater Improvements	4,259	4,259
Parking lot	38,286	38,286
Total Wastewater Utility	\$ 91,169	\$ 91,169

D. Long-Term Liabilities

1. Revenue Bonds

The Utilities issue bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Balance at December 31	Less: Unamortized (Premium) Discount	Less: Deferral on Refunding	Amount
Water Utility:					
2012 Waterworks refunding revenue bonds	1% to 2.5%	\$ 1,960,000	\$ -	\$ 53,911	\$ 1,906,089
2007 Waterworks revenue bonds	4% to 4.5%	2,010,000	-	-	2,010,000
Total Water Utility		\$ 3,970,000	\$ -	\$ 53,911	\$ 3,916,089

WATER AND WASTEWATER UTILITIES  
CITY OF ANGOLA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Purpose	Interest Rates	Balance at December 31	Less: Unamortized (Premium) Discount	Less: Deferral on Refunding	Amount
Wastewater Utility:					
2010 Sewage Works refunding revenue bonds, Series A	1.5% to 4.75%	\$ 3,870,000	\$ (4,882)	\$ 210,627	\$3,664,255

Revenue bonds debt service requirements to maturity are as follows:

	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2013	\$ 295,000	\$ 118,530	\$ 180,000	\$ 65,335
2014	300,000	112,280	360,000	125,595
2015	310,000	105,830	390,000	117,228
2016	315,000	98,305	435,000	106,300
2017	330,000	90,580	440,000	92,906
2018-2022	1,720,000	313,630	1,880,000	217,637
2023-2027	700,000	80,160	185,000	8,669
Totals	<u>\$ 3,970,000</u>	<u>\$ 919,315</u>	<u>\$ 3,870,000</u>	<u>\$ 733,670</u>

2. Loans Payable

Under the terms of the State Revolving Loan Fund, revenue bonds have been purchased by the Indiana Bond Bank, the proceeds of which are set aside to finance the construction of improvements to the Wastewater Utility. Annual debt service requirements to maturity for the loan, including interest of \$0, are as follows:

	Principal
2013	\$ 87,500
2014	175,000
2015	175,000
2016	175,000
2017	175,000
2018-2022	875,000
2023-2027	875,000
2028-2032	<u>437,500</u>
Total	<u>\$ 2,975,000</u>

The 2010 SRF Loan is a 0 percent interest loan. Drawdowns from this loan were \$2,518,113 at December 31, 2012.

WATER AND WASTEWATER UTILITIES  
CITY OF ANGOLA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2012, was as follows:

<u>2012</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Water Utility:					
Revenue Bonds Payable	\$ 3,830,000	\$2,075,000	\$ 1,935,000	\$ 3,970,000	\$ 295,000
Compensated Absences Payable	<u>24,559</u>	<u>15,656</u>	<u>18,566</u>	<u>21,649</u>	<u>15,290</u>
Total water utility long- term liabilities	<u>3,854,559</u>	<u>2,090,656</u>	<u>1,953,566</u>	<u>3,991,649</u>	<u>310,290</u>
Wastewater Utility:					
Revenue Bonds Payable	\$ 4,215,000	\$ -	\$ 345,000	\$ 3,870,000	\$ 180,000
Loans Payable	3,150,000	-	175,000	2,975,000	87,500
Compensated Absences Payable	<u>20,674</u>	<u>16,439</u>	<u>16,970</u>	<u>20,143</u>	<u>16,146</u>
Total water utility long- term liabilities	<u>7,385,674</u>	<u>16,439</u>	<u>536,970</u>	<u>6,865,143</u>	<u>283,646</u>
Total Long-term liabilities	<u>\$ 11,240,233</u>	<u>\$ 2,107,095</u>	<u>\$ 2,490,536</u>	<u>\$ 10,856,792</u>	<u>\$ 593,936</u>

E. Restricted Assets

The balances of restricted asset accounts in the enterprise funds are as follows:

	<u>Water Utility</u>	<u>Wastewater Utility</u>
Depreciation	\$ 800,652	\$ 210,935
Bond and interest	600,869	717,981
Construction	341,055	983,235
Customer deposits	<u>48,780</u>	<u>-</u>
Total restricted assets	<u>\$ 1,791,356</u>	<u>\$ 1,912,151</u>

F. Revenues Pledged

Water Utility Revenues Pledged

The Utility has pledged future operating revenues, net of specific operating expenditures, to repay revenue bonds issued in 2007 and 2012. Proceeds from the bonds provided financing for waterworks improvements. The bonds are payable solely from net operating revenues and are payable through 2026. Annual principal and interest payments are expected to require less than 23 percent of operating revenues.

Wastewater Utility Revenues Pledged

The Utility has pledged future operating revenues, net of specific operating expenditures, to repay revenue bonds issued in 2010. Proceeds from the bonds provided financing for waterworks improvements. The bonds are payable solely from net operating revenues and are payable through 2024. Annual principal and interest payments are expected to require less than 23 percent of operating revenues.

WATER AND WASTEWATER UTILITIES  
CITY OF ANGOLA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

III. Other Information

A. Risk Management

The Utilities are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Rate Structure

1. Water Utility

The current rate structure was approved by the Utility on December 19, 2011. The Utility has 2,981 customers.

2. Wastewater Utility

The current rate structure was approved by the Utility on January 4, 2010. The Utility has 2,944 customers.

C. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City, including the Utilities, contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System Board (INPRS), most requirements of the system and give the Utility authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at three percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 256-1687

WATER AND WASTEWATER UTILITIES  
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NOTES TO FINANCIAL STATEMENTS  
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Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the City as a whole and is not presented as an asset/liability of the proprietary funds.

WATER AND WASTEWATER UTILITY  
CITY OF ANGOLA  
EXIT CONFERENCE

The contents of this report were discussed on July 22, 2013, with Debra A. Twitchell, Clerk-Treasurer; Richard M. Hickman, Mayor; and Tammy Onofrietti, Deputy Clerk. Our audit disclosed no material items that warrant comment at this time.